Insurance Institute of India

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INSUNEWS

- Weekly e-Newsletter

4th – 10th November 2016

● Quote for the Week ●

"Don't let life discourage you; everyone who got where he is had to begin where he was."

Richard L Evans

INSIDE THE ISSUE

Insurance Industry

Rural insurance premiums may take a hit - The Economic Time – 10th November 2016

Insurance companies that depend on distributors and agents to sell their policies could see their business slump in the next few months as their main mode of collection through cash gets hurt with the de-monetisation of high value denomination.

In many parts of the country, especially rural India, insurers accept cash. Premium is required to be paid in advance and there is a limit of Rs 50,000 set by the insurance regulator for cash payments. Anything beyond this has to be paid in cheque or DD or online.

"Those who pay premium of up to Rs 50,000 in cash will find it incon venient," said an official of Insurance Regulatory and Development Authority of India (Irdai). "They will have to move to cheque or other modes of payments to buy in the next few days."

Prime Minister Narendra Modi on Tuesday stripped off the legal tender status for Rs 500 and Rs 1,000 currency notes as he attempts to eradicate black money and improve the tax collection system.

Source

Back

Cabinet may decide on listing of PSU insurers this month - The Hindu Business Line – 7th November 2016

The Cabinet is likely to take a call on the final contours of listing of PSU general insurance companies this month, a finance ministry official said.

The ministry had last week circulated a draft Cabinet note for inter-ministerial consultations on the listing of four public sector general insurance companies.

"The Cabinet nod for PSU general insurers is likely this month," an official said. These companies are New India Assurance Company, National Insurance Company, Oriental Insurance Co and United India Insurance Co.

Listing of PSU general insurance was announced in the Union Budget 2016-17 by Finance Minister Arun Jaitley.

"...(proposed to) undertake important banking sector reform and public listing of public sector general insurance and undertake significant changes in FDI policy," he had said while unveiling the Budget.

Last year, the government allowed foreign insurance players to raise their stake in their joint venture to 49 per cent. Earlier, only up to 26 per cent FDI was permitted.

There are 52 insurance companies operating in India, of which 24 are in life business and 28 general insurance.

Source

Insurance Regulation

Flash notice prominently against fake calls: IRDAI to insurers - The Economic Times – 8th November 2016

To protect consumers' interest against spurious calls and fraudulent offers, Irdai has asked all life insurers to flash public notice prominently on homepage of their websites while TV commercials need to run the message for at least 5 seconds of space.

All life insurers will flash on their homepage of their websites, the public notice issued by the Insurance Regulatory and Development Authority of India (Irdai) read, cautioning the public about spurious calls and fictitious offers.

Also, they can insert the message in a box item prominently at the end of all their product advertisements in print media, including pamphlets and publicity material, to educate customers on the role of the regulator and also caution the public on such spurious calls, the circular said.

The public notice has been titled Beware of Spurious Phone Calls and Fictitious/Fraudulent Offers.

Irdai clarified further that neither the regulator nor its officials are involved in activities like sale of any kind of insurance or financial products and nor do they invest premiums and announce any bonus. The public receiving such phone calls is requested to lodge a police complaint along with details of phone call and the number.

At the end of TV ad/cinema hall advertisements of life insurance, the slide placed may be displayed continuously for a minimum period of five seconds, Irdai suggested.

Source

True translation in other Indian languages may also be used as per the need with due certification, the regulator added.

Back

Life Insurance

Irdai specifies rule for Point-of-Sales Person of life insurance - Business Standard – 10th November 2015

The sector regulator has specified the condition under which a Point-of-Sales Person (PoSP) is allowed to sell life insurance policies.

The concept of a (PoSP)was introduced late last year by the Insurance Regulatory and Development Authority of India (Irdai). Defined as an individual with the minimum qualifications specified, plus having undergone training and passed the required examination.

For life insurance policy sales (pure term, non-linked endowment, immediate annuity product and others), the PoSP is question must be a tleast 18 years of age and having passed Class X in school. An insurer or insurance intermediary authorised to solicit for the life insurance business can engage such people.

Source

The life insurer in question, Irdai says, shall be responsible for the conduct of the PoSP. Any misconduct by the latter shall make the life insurer (or insurance intermediary) liable for penalisation as in Section 102 of the Act in question.

Back

Health Insurance

ESIC launches 'Kahin Bhi-Kabhi Bhi' medical service - The Economic Times - 8th November 2016

The Employees' State Insurance Corporation (ESIC) today launched 'Kahin Bhi-Kabhi Bhi' medical service for its insured in the Delhi region under which the beneficiaries can visit day-care units for minor ailments.

Labour Minister Bandaru Dattatreya launched such facility and inaugurated the 6-bedded Day Care Unit of ESI Dispensary, Sector-7, Dwarka, here today, ESIC said in a press release.

Dattatreya said Dwarka ESIC dispensary has now become a complete unit in itself with medical facilities like general OPD care, family welfare services, full-time laboratory and X-ray and diagnostic care.

Now, insured persons and their family members of Delhi need not visit ESIC hospitals for minor ailments requiring only day care like diarrhoea, high fever, acute asthama attacks, abdominal pain, chest pain and the like.

Besides, in future, day care centres will be developed at three more ESIC dispensaries in Delhi with high OPD attendance in Nandnagari, Mangolpuri and Jwalapuri that will cover all zones of Delhi.

The minister further told the gathering that ESIC has decided to open 6-bedded day care centres at various ESI dispensaries all over the country.

These centres will become a complete unit in themselves with medical facilities. To further improve the medical services for patients from the working class, facilities like dental care, physiotherapy, X-ray plant on PPP model, mother and child tracking and courier services to deliver medicine at the doorstep of the insured will also be provided.

All 4 ESIC Hospitals of Delhi at Basaidarapur, Rohini, Okhla and Jhilmil will also be converted into super specialty hospitals, it said.

The minister added that ESIC has become one of the largest social security organisations, offering a better and brighter service to all the ESIC beneficiaries.

Source

Now, all the network of dispensaries of Delhi has been made accessible to insured persons and their family members all the time.

Back

More tax benefits sought for health insurance - The Hindu Business Line – 4th November 2016

The Government has to double the income-tax benefits relating to health insurance for long-term benefits, according to Pratap C Reddy, Chairman of Apollo Hospitals.

The exemption limit should go up to ₹50,000 “so all can take care of their health better,” he said. The society is facing a “tsunami of non-communicable diseases or lifestyle diseases” and preventive health check-ups are invaluable, he said.

It is also time for the medical forum to “need to practice medicine relevant for today.” New concepts of health and well being are emerging and for instance, “the cardiologists need to look at reversal of heart diseases,” he suggested.

Reddy was addressing the launch of “Apollo hospitals textbook of medicine’’ by Apollo Hospitals along with Apollo First Med hospitals. Edited by T V Devarajan, senior consultant, Department of General Medicine, Apollo Hospitals, it is the first textbook of corporate hospitals.

Source

AS Ganesan, Chancellor, Vinayaka Missions University, said the book is of particular significance as it deals with medico-legal aspects and legal obligations of doctors in India.

Back

General Insurance

Local bodies to pay 25% premium for cattle insurance – The Times of India – 9th November 2016

The local self government department has directed the local bodies to put in 25% of share as part of implementing cattle insurance scheme in the state. The union government had earlier directed that local bodies should share a fixed sum for meeting 50% of insurance amount, while the remaining 50% will be shared by state and central government.

The state level co-ordination committee considered this directive and decided that of the 50% premium amount, 25% shall be borne by the local bodies and 25% by the beneficiaries. The order was issued by the local self government department based on the decision of state level co-ordination committee. As per the

Source

directive, state-central governments will share 50% of insurance sum and remaining percentage will be shared equally by the local self governments and beneficiaries.

Back

Insurers to hike premium for Cyber Security Covers – The Asian Age – 6th November 2016

Mumbai: Following the data theft that impacted 32 lakh debit cards recently, insurers see surge in demand for cyber insurance and have warned of a spike in cyber risk cover premiums.

In the biggest-ever security breach in the domestic banking sector, over 32 lakh debit cards of various banks were 'compromised' after a cyber malware attack in the ATM systems of Yes Bank in May-June.

Following this, several banks including state-run SBI, private sector lenders ICICI Bank, HDFC Bank, Axis Bank and Yes Bank recalled over 32 lakh debit cards since September, while many others blocked those cards which were suspected to have been compromised and asked their customers to change PINs (personal identification numbers) as a precautionary measure.

At present, there are very few non-life insurers who have cyber insurance offerings and some of them include ICICI Lombard, Bajaj Allianz, HDFC Ergo and Tata AIG. None of the state-run players are into this segment yet.

As per industry estimate, the current market size of liability insurance is Rs 1,800 crore of which cyber insurance could be 5-7 per cent. "In the light of recent incidents, we have seen a surge in the number of inquiries for these covers and expect to see 10-15 per cent growth in cyber insurance covers sold," Bajaj Allianz General Insurance chief technical officer(non-motor cover) Sasi Kumar Adidamu told PTI.

But it still has not seen a significant rise in such cover in the domestic market despite the rising cyber threats. Till date, there may be around 500 active policies in the domestic market, he added.

For Bajaj Allianz GIC, cyber insurance premium varies between 2 and 3 per cent of the total liability premium. Cyber insurance covers are largely taken by banks, IT & ITeS and e-commerce firms.

Though the product has been in existence globally for a long time, it gained credence in the domestic market about three years back. However, HDFC Ergo, which launched cyber cover policies earlier this year, saw tremendous response so far and is expecting further jump in demand.

"We have seen around 40 per cent growth in cyber insurance in recent past and given the present scenario in the banking sector, we expect the number to further rise," HDFC Ergo executive director Mukesh Kumar said, adding, "We are also expecting a reasonable increase in the premium." SBI General is also planning to come up with a cyber insurance product.

"We are looking at coming up with a cyber insurance product, keeping in view its increasing demand, particularly after the recent episode of debit card data theft," said its managing director & chief executive, Pushan Mahapatra.

Source

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Reinsurance

GIC Re welcomes MNCs, plans to expand overseas operations - Business Standard – 10th November 2016

As the Insurance Regulatory and Development Authority of India (Irdai) has started granting approvals to foreign re-insurers here, the country's sole domestic re-insurer GIC Re is unfazed and sees no significant threat from rising competition.

The state-run company believes that entry of foreign players will bring innovation and increase penetration in the market. Moreover, it also has plans to further diversify its business globally.

The six re-insurers that have received R2 licences from Irdai last month include Swiss Re, Munich Re, Hannover Re, French major SCOR and Reinsurance Group of America and a private domestic re-insurer ITI, whereas Swedish re-insurer XL Catlin was given R1 licence by the regulator.

"We don't see any significant threat of competition by joining of new players, including six foreign re-insurers and one domestic re-insurer ITI, in the country's reinsurance market," GIC Re Chairperson and Managing Director Alice Vaidyan told *PTI* here on Thursday.

She was speaking on the sidelines of an event which was held by RMS, a catastrophe and risk modelling company. "We will continue to have our dominant position as we are present here for the past 45 years now," she said. GIC Re believes that new players will bring innovation and increase penetration in the market.

Talking about her company's global expansion plan, Vaidyan said "We do have plans to further diversify our business globally." The company already has branches in London, Dubai and Malaysia. "We also have representative offices in Moscow and we have got subsidiaries in countries like South Africa and Bhutan. We have plans to convert our rep office in Moscow to a subsidiary in the future. We also plan to open an office in Brazil," she said.

On GIC Re's plan to come up with an initial public offering, she said, "We are waiting for the government's approval for the same." On the company's performance in the first half of the current financial year, she said "Even though we haven't closed our accounts for the first half so far, I do believe that we have done very well in the first half in terms of premium, profitability and claims."

Source

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Reinsurer Lloyd's gets IRDA nod to operate in India - The Hindu Business Line – 7th November 2016

Insurance Regulatory and Development Authority has approved London headquartered specialist insurance and reinsurance market Lloyd's application to provide onshore reinsurance services in India.

Lloyd's, which secured R1 approval from IRDA, plans to set up a branch in India next year. John Nelson, Chairman, Lloyd's said it can bring unique benefits to India by providing both protection and new opportunities for many domestic insurance businesses.

"I believe that our presence will contribute to the development of a more diverse reinsurance market, which is fundamental to the stability and future growth of the Indian economy. This can help position India as a centre for insurance, reinsurance and associated services," said Nelson who is in Delhi as part of the United Kingdom Prime Ministerial trade delegation.

The progress India is making in reforming reinsurance markets is encouraging and will bring lasting benefits to the Indian economy. A level playing field for all re-insurers will mean that domestic market can thrive and become a hub for innovative new products that meet the need of businesses, he said.

Lloyd's filed application with IRDA in March for setting up a reinsurance branch in Mumbai. It appointed Shankar Garigiparthy as Country Manager for India in April. In 2011, Shankar joined Arun Agarwal as Lloyd's General Representative in India.

Lloyd's believes its market structure will bring additional underwriting expertise and capacity to the local market and working with brokers and clients to craft policies that meet specific needs and fill gaps in the market.

Lloyd's is often the first to insure new, unusual and complex risks, providing innovative insurance solutions for local, cross border and global risks. Its strength lies in the diversity and expertise of the brokers and managing agents working at Lloyd's, supported by capital from across the world.

Source

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Survey & Reports

LIC retains its most attractive BFSI brand status – The Economic Times – 7th November 2016

Life Insurance Corp., has been the country's most attractive brand in the banking and financial services segment for the third year in a row, according to a report. Another public sector entity, the State Bank of India, saw an improvement of 17 ranks to 48th rank in its overall attractiveness ranking. HDFC grabbed the third position in the BFSI category, and made it to the top 50 Most Attractive Brands list at 49th rank.

The findings are part of the most attractive brands 2016 report, the third in its series, published by TRA Research (formerly Trust Research Advisory), a leading research organization dedicated to brand analytics. This year's study covered 2338 consumer-influencers across 16 cities in India, generating 5 million datapoints and 10,000 unique brands from which the top 1,000 brands have been listed in this year's report.

The private sector bank, ICICI bank saw an improvement of 4 ranks from 61st in 2015 to 57th in 2016. Other private banks that made it to the top 10 list include Axis Bank, Yes Bank, and Kotak Mahindra Bank.

"This year, the BFSI category has seen the entry of four public sector units in the top ranks, with LIC maintaining its leader status while private banks like Axis and Yes Bank have seen an improvement in their rankings since last year," said N. Chandramouli, CEO, TRA. "This year also saw the entry of two new categories – Broking, with Angel Broking as the only brand, and Venture Capital Fund, with Softbank as the only brand listed in it.

Source

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IRDAI Circular

Source

List of corporate agents registered with the authority as on 31.10.2016 is available on IRDAI website.

Source

IRDAI issued circular regarding spurious phone calls and fictitious/fraudulent offers – modification in circular provisions to all Life Insurers.

Source

List of web aggregators approved by IRDAI is available on website.

Source

IRDAI issued guidelines on Point of Sales Person – Life Insurance to all the Life Insurers.

Source

IRDAI issued guidelines on Point of Sales (POS) –Life Insurance Products to all the Life Insurers.

Source

Terms and Conditions of Life Products for F.Y. 2016-17are available on IRDAI website.

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Global News

Australia: Insurers and govt to extend Nat CAT cover to Asia Pac – Asia Insurance Review

The Australian insurance industry and the federal government are looking at extending to the Asia-Pacific region a global push to insure against the cost of dealing with the growing number of natural disasters.

Launched by the World Bank and the United Nations in April this year, the Insurance Development Forum (IDF) is aimed at extending insurance to governments in developing countries so that they can readily respond to disasters.

The Australian government and the local insurance industry have so far been watching from the sidelines while aid agencies from the US, Britain and Germany have been actively involved in the IDF, reported *The Australian*.

"We are identifying areas where the Australian aid programme may be able to encourage access to and adoption of affordable disaster risk insurance," said a spokeswoman for Foreign Minister Julie Bishop, who oversees Australia's aid programme.

"The Australian government will continue to consult the insurance industry, including IDF members, on overcoming the specific challenges in the Pacific."

The Insurance Council of Australia, which represents general insurers, is taking part in industry discussions on the scope of local involvement in the initiative.

Mr Shaun Tarbuck, who heads ICMIF, a global body representing co-operatives and mutual insurers, told *The Australian*: "Governments are moving away from having to pay on a reactive basis to trying to do it proactively in terms of having insurance. That is a novel concept. For every dollar spent now they will save $8 in international aid."

Source

China: Regulator warns insurers against stock speculation – Asia Insurance Review

China's insurance regulator has condemned short-term speculative stock trading by insurance funds, according to a statement posted on its website yesterday.

The regulator in its statement singled out Evergrande Life Insurance for its recent heavy stock trading activity, saying that it had called in the company's senior management and stated clearly that it did not support stock speculation by insurance funds.

The CIRC statement said: "Evergrande Life Insurance should reflect deeply on the negative effects on the insurance industry and the use of insurance funds that short-term stock speculation creates."

The regulator urged Evergrande Life Insurance to stick to the principles of long-term, stable and healthy investments, strengthen its asset-liability management, conduct investments prudently and avoid investment risk.

"Next, the CIRC will continue to strengthen the supervision of investments by insurance funds, look out for signs of problems and key company issues, and take timely measures to prevent investment risks," the statement said.

Source

Meanwhile, CIRC has allowed insurance funds to invest in domestically issued certificates of deposit (CD), including interbank CDs and large-denomination CDs, a spokesman for the regulator told Reuters. The move is aimed at broadening investment channels for insurance companies.

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China: Govt passes contentious cyber security law – Asia Insurance Review

The Chinese government yesterday passed a controversial new cyber security law which requires Internet operators to cooperate with probes involving crime and national security. The law requires data localisation, surveillance and real-name registration.

Under the new legislation, which will take effect next June, companies will face mandatory testing and certification of computer equipment and will have to give investigators full access to data if misconduct is suspected.

Overseas critics of the law say it threatens to shut foreign technology companies out of various sectors deemed "critical", and includes contentious requirements for security reviews and for data to be stored on servers in China, reported Reuters.

Foreign companies are concerned that requirements to store data locally and only employ technology deemed "secure" means local companies will gain yet another edge over them, reported Bloomberg.

The new law would also require instant messaging services and other Internet companies to require users to register with their real names and personal information, and to censor content that is "prohibited." Real name policies restrict anonymity and can encourage self-censorship for online communication.

Mr Yang Heqing, an official on the National People's Congress standing committee, said the Internet is deeply linked to China's national security and development.

"China is an Internet power, and as one of the countries that faces the greatest internet security risks, urgently needs to establish and perfect network security legal systems," he said.

In addition, companies are required to report "network security incidents" to the government and inform consumers of breaches. Companies must also provide technical support to government agencies during investigations. "Technical support" is also not clearly defined, but could mean providing encryption backdoors or other surveillance assistance to the government, says *TechCrunch*, a technology media website.

Foreign groups voiced their concerns over the new law while it was still in the drafting stage. In a letter addressed to Chinese Premier Li Keqiang in August, 46 global business groups spanning finance, information technology, insurance and manufacturing urged Beijing to revise its draft cyber rules which they said would hamper trade.

The signatories include industry associations from Asia, Australia, the US, Mexico and Europe, reported Reuters. They had feared that the implementation of the law would mean invasive government security reviews and onerous requirements to keep data in China.

"Trade-inhibiting security reviews" for information and communications technology products and services under the rules may weaken security and constitute technical barriers to trade under the World Trade Organization, the groups said in the letter.

Broad data residency requirements "would impede economic growth and create barriers to entry for both foreign and Chinese companies", they said.

Insurance

In the insurance arena too, business groups have aired their views on cyber regulations. In June, business groups from the US and around the world protested China's planned cyber security rules for the insurance industry in a letter to the CIRC which was addressed to the agency's chairman, Mr Xiang Junbo.

The signatories were more than two dozen organisations including the American Chamber of Commerce in China, the American Council of Life Insurers and the American Insurance Association. Technology companies were represented and the groups spanned Japan, Canada, the UK and Europe, reported Bloomberg.

The letter referred to planned rules, first announced by CIRC last year covering areas such as data flows and cryptography, citing cases of disproportionate burdens on foreign-invested insurers and discrimination against foreign technology suppliers. Industry experts say that international insurers could be required to source substandard or insecure technology or software in order to do business in China, or use products incompatible with their global operations. China is considering similar regulations for banking technology.

Source